

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 PM-07 INR-10 L-03 NEA-10

NSAE-00 PA-04 RSC-01 PRS-01 SPC-03 USIA-15 TRSE-00

SAJ-01 EB-11 SCEM-02 SS-20 NSC-10 SCI-06 INT-08 OMB-01

OIC-04 DRC-01 /144 W

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P R 101139Z DEC 73

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC PRIORITY 2553

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION NATO

C O N F I D E N T I A L THE HAGUE 5409

USNATO FOR UNDER SECRETARY DONALDSON

E.O. 11652: GDS

TAGS: ENRG, NL

SUBJECT: DUTCH OIL SITUATION

SUMMARY: IN LONG CONVERSATION DEC 6 AMONG EMBASSY OFFICERS,
DIRGEN OF ENERGY WANSINK AND MFA DIRECTOR VAN SCHAIK, WIDE RANGE
OF SUBJECTS IN PETROLEUM FIELD WAS DISCUSSED. THIS INCLUDED
UNDERSTANDINGS DUTCH ARE SEEKING WITH EC PARTNERS, GON ORGANIZATION
TO COMBAT PETROLEUM SUPPLY PROBLEM, PRODUCT RATIONING PLANS,
AND LATEST SUPPLY, STOCKS AND REFINERY PRODUCTION PICTURE.
END SUMMARY.

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1. GON DESIDERATA FROM EC PARTNERS IN PETROLEUM FIELD COVER 3 AREAS: (A) COORDINATED AND HARMONIZED SYSTEMS OF CONSUMPTION RESTRAINT, (B) FAIR DISTRIBUTION OF PETROLEUM AND PRODUCTS AMONG PARTNERS ON BASIS OF BURDEN SHARING SYSTEM, (C) IMPROVED EXCHANGE OF INFORMATION ON STOCKS AND SUPPLY. THESE DESIDERATA HAVE NOT YET BEEN MET BY EC.

2. WANSINK SAID "SILENT UNDERSTANDING" AMONG EC GOVERNMENTS NOT TO INTERFERE WITH OIL COMPANY EFFORTS TO SERVE TRADITIONAL CUSTOMERS EVEN-HANDEDLY HAS NOT WORKED WELL FROM DUTCH STANDPOINT. IN FACT HE STATED THAT BOTH UK AND FRANCE HAVE ACTIVELY PROTESTED ANY DIVERSION OF NON-ARAB OIL TO HOLLAND. BRITISH ORDERS IN COUNCIL HAVE BEEN THREATENED AGAINST COMPANIES DIVERTING NIGERIAN OR IRANIAN CRUDE FROM UK TO HOLLAND ON BASIS THAT SUCH DIVERSION UPSETS BALANCE OF PRODUCTS REFINED IN UK. ACCORDING TO WANSINK, FRENCH HAVE GONE SO FAR AS TO THREATEN EXXON WITH NATIONALIZATION IF THEY DIVERT OIL FROM FRANCE IN CONTRAVENTION OF GOF INSTRUCTIONS.

3. MINISTERIAL COMMITTEES AT MINISTERS' AND WORKING LEVELS HAVE BEEN ORGANIZED TO MANAGE GON ACTION RE PETROLEUM PROBLEM. TOP LEVEL COMMITTEE IS CHAIRED BY PRIME MINISTER AND INCLUDES MINISTERS OF ECONOMICS, FOREIGN AFFAIRS, FINANCE, TRANSPORT, SOCIAL AFFAIRS (LABOR), AGRICULTURE, AND CULTURE AND RECREATION. SECRETARY OF THIS COMMITTEE IS W.G.J. WILLEMSSEN OF OFFICE OF GENERAL ECONOMIC POLICY, MOEA. PARALLEL COMMITTEE AT WORKING LEVEL IS CHAIRED BY DR. F.W. RUTTEN, SECRETARY GENERAL OF MOEA.

4. GASOLINE RATIONING PLANS ARE WELL UNDERWAY AND COUPONS BEING DISTRIBUTED. AMOUNT AVAILABLE UNDER EACH COUPON WILL BE DECIDED SOON ON BASIS OF AVAILABILITY SUPPLY (PRIMIN HAS SINCE ANNOUNCED BASIC WEEKLY RATION OF 15 LITERS - SEE SEPTTEL). SEPARATE RATION BOARD HAS BEEN SET UP TO CONTROL SUPPLY OF PETROCHEMICAL FEEDS STOCKS.

5. PRODUCTION RATES OF REFINERES WERE DISCUSSED, AND WE MADE POINT THAT CHEVRON IS ACTIVELY PURSUING ALTERNATE SOURCES OF SUPPLY FOR ROTTERDAM REFINERY WITH HOME OFFICE IN CALIFORNIA, IN VIEW OF ITS HIGH DEGREE OF DEPENDENCE HERE ON SAUDI ARABIAN
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CRUDE. WANSINK REITERATED THAT GON COULD NOT ACCEPT PROPOSED SHUTDOWN OR EVEN REDUCTION TO 15 PERCENT OF CAPACITY BY CHEVRON REFINERY SINCE CHEVRON SUPPLIES 20 PERCENT OF DUTCH MARKET. HE OBSERVED THAT IF CHEVRON WERE SO INFLEXIBLE IN ITS SUPPLY PATTERN THAT IT COULD NOT REARRANGE ITS SOURCES SO AS TO SUPPLY ROTTERDAM WITH REASONABLE AMOUNT OF CRUDE, IT COULD NO LONGER CALL ITSELF "MAJOR" OIL COMPANY.

6. WHEN ASKED ABOUT LEVEL OF DUTCH REQUIREMENTS FOR PETROLEUM PRODUCTS, WANSINK AND VAN SCHAİK AGREED THAT PRINCIPLE SHOULD BE "NO MORE CUTBACKS THAN ELSEWHERE IN EC". IN DISCUSSING STATUS OF STOCKS OF CRUDE AND PRODUCTS, WANSINK EXPLAINED THAT THERE ARE 4 BASIC CATEGORIES OF STORAGE. ONE IS SUPPLIES IN TRANSIT, WHICH DO NOT ENTER IMPORT/EXPORT STATISTICS AT ALL. SECOND IS 65-DAY STOCKS REQUIRED BY LAW. THIRD IS WORKING STOCKS OF REFINERIES AND OTHER IMPORTERS SUBJECT TO CONSTANT VARIATION. FINALLY, THERE IS CONSIDERABLE STORAGE CAPACITY IN ROTTERDAM DEVOTED TO SUPPLIES BELONGING TO BELGIUM AND GERMANY AND WHICH ARE HELD BY AGREEMENT FOR TIME PERIODS BEYOND THE 30 DAYS WHEN TRANSIT STOCKS MUST BE REPORTED AS IMPORTS. KEEPING TRACK OF MOVEMENTS OF THESE VARIOUS CATEGORIES IS DIFFICULT ENOUGH, BUT IT IS STILL HARDER TO MAINTAIN PHYSICAL WATCH, BECAUSE SUPPLIES OF THE SAME PRODUCTS OR TYPES OF CRUDE MAY BE STORED TOGETHER AS FAR AS ABOVE OWNERSHIP CATEGORIES ARE CONCERNED AND MAY BE DRAWN DOWN OR: ADDED TO FOR VARIETY OF REASONS. WANSINK STRESSED THE POLICY DIFFICULTY OF HAVING CORPS OF INSPECTORS IN OPEN AND FREE PORT OF ROTTERDAM TO TRACE MOVEMENTS CONSTANTLY AND TO EXERCISE CONTROL OVER DESTINATIONS.

7. WANSINK SAID DUTCH ARE MODERATELY PLEASED WITH YAMANI STATEMENT THAT TRANSIT OIL MAY MOVE TO GERMANY AND BELGIUM VIA ROTTERDAM PIPELINES SINCE THIS GIVES REVENUE TO PORT AND EMPLOYMENT TO DUTCH WORKERS. DUTCH ARE PREPARED TO COOPERATE ON SAFEGUARDS TO SATISFY ARABS THAT NO OIL IS DIVERTED TO HOLLAND BUT WILL DEFINITELY NOT TOLERATE ARAB "INSPECTORS" IN PORT AREA.

8. WANSINK MENTIONED THAT GON IS CONTEMPLATING RENEGOTIAION OF NATURAL GAS SUPPLY CONTRACT WITH ITALY BECAUSE AGREED PRICE IS FAR TOO LOW IN LIGHT OF PRESENT DAY REALITIES. HE ADDED THAT
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WHILE ALL DUTCH EXPORT AGREEMENTS ON GAS PERMIT CUSTOMERS SOME FLEXIBILITY IN TIMING OF DELIVERIES WITHIN FIXED CEILING OF TOTAL SALES, DUTCH MAY BE FORCED TO RENEGE ON TECHNICAL GROUNDS IF ALL CUSTOMERS DEMAND ACCELERATED DELIVERIES IN 1974.

9. IN DIFFERENT BUT RELATED SUBJECT, VAN SCHAİK RAISED QUESTION WHETHER USG HAS INSTITUTED STUDIES ON ESSENTIAL (NON-PETROLEUM) RAW MATERIALS WHICH MAY BE LARGELY SUPPLIED BY SMALL GROUPS OF COUNTRIES WHICH COULD CONCEIVABLY ORGANIZE OAPEC TYPE OF CONTROL FOR ECONOMIC OR POLITICAL BARGAINING REAONS. HE ALSO ASKED ABOUT USG VIEWS ON MEASURES WHICH MIGHT BE TAKEN VIS-A-VIS PETROLEUM SUPPLIER COOUNTRIES TO COMBAT UNREASONABLE PRICE DEMANDS. WE HOPE UNDER SECRETARY DONALDSON WILL BE ABLE TO SPEAK TO THESE POINTS DURING HIS DEC 17 VISIT HERE.
GOULD

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, NATIONALIZATION, SUPPLIES, ECONOMIC STABILITY, COMMITTEE MEETINGS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: hilburpw
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973THEHA05409
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: THE HAGUE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731233/aaaaaygh.tel
Line Count: 169
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: hilburpw
Review Comment: n/a
Review Content Flags:
Review Date: 19 SEP 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19-Sep-2001 by kelleyw0>; APPROVED <01-Oct-2001 by hilburpw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: DUTCH OIL SITUATION SUMMARY: IN LONG CONVERSATION DEC 6 AMONG EMBASSY OFFICERS
TAGS: ENRG, NL
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005